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MARKETING SPREADS FOR EGGS AND FRYING CHICKENS IN THE UNITED STATES AND SELECTED CITIES

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MARKETING SPREADS FOR EGGS AND FRYING CHICKENS
IN THE UNITED STATES AND SELECTED CITIES 1/

Farm-retail price spreads for eggs rose 6 percent in 1958 to their highest level since 1952 and were more than 2 percent higher than the annual average for 1950-58. Retail prices and farm values for eggs increased about 6 and 5 percent, respectively, from 1957 to 1958. Farm-retail price spreads on frying chickens declined slightly in 1958 to their lowest level since 1950, except for 1955. Retail prices for frying chickens declined 0.5 cent from 1957 to 1958 and farm values dropped 0.4 cent. Both were at their lowest levels since 1950.

This article describes recent changes in prices and price spreads at various market levels for eggs and frying chickens.

Eggs

Spreads between retail prices and farm values of eggs in 1958 averaged 19.4 cents per dozen -- 1.1 cents more than in 1957 and about 0.5 cent more than the average of 18.9 for the 9 years, 1950-58 (table 5). Retail prices paid by urban consumers in the United States and farm values for eggs in 1958 increased 3.1 and 2.0 cents a dozen, respectively, over 1957. 2/ The farmer's share of the retail price of eggs remained at 67 percent.

Annual average farm-retail price spreads have varied within the range of 17.8 cents to 20.4 cents a dozen since 1950. Retail prices and farm values have fluctuated considerably more, but both have changed by approximately equal amounts. The annual average farmer's share of the retail price has varied from 67 to 73 percent.

Annual farm-retail price spreads for eggs have fluctuated less since 1950 than retail prices and farm values despite rising wages and prices of other inputs. This relative stability was the result of improving efficiency in the egg marketing system. Some of the major efficiency factors which have held down price spreads have been: (1) Trends toward integration of egg-marketing functions which have resulted in the assembling, grading, and cartoning of eggs at large country assembly plants, and distribution by these plants directly to retail stores in urban areas. Cost factors such as labor, land, and taxes often are available at lower rates in rural than in urban areas.

1/ Prepared by Leo R. Gray, Agricultural Economist, and William L. Mitchell, Marketing Specialist, Market. Res. Div., Agr. Market. Serv.

2/ Farm value for eggs is the average payment received by producers for 1.03 dozen eggs.

Table 5.- Eggs and frying chickens: Retail price, farm value, farm-retail spread, and farmer's share of the retail price, United States urban areas, annual, 1950-58, by months, January 1957-December 1958

Year and month	Eggs				Chickens (broilers and fryers, ready-to-cook)			
	Retail price per dozen 1/	Farm value 2/	Farm-retail spread	Farmer's share	Retail price per pound 1/	Farm value 3/	Farm-retail spread	Farmer's share
	Cents	Cents	Cents	Percent	Cents	Cents	Cents	Percent
1950	57.1	38.0	19.1	67	58.5	37.4	21.1	64
1951	69.7	49.4	20.3	71	61.3	39.0	22.3	64
1952	63.6	43.2	20.4	68	61.6	39.7	21.9	64
1953	66.8	49.0	17.8	73	60.0	37.0	23.0	62
1954	56.2	37.5	18.7	67	54.2	31.6	22.6	58
1955	58.1	40.1	18.0	69	56.2	34.6	21.6	62
1956	57.7	39.8	17.9	69	49.0	26.9	22.1	55
1957	54.9	36.6	18.3	67	47.9	25.9	22.0	54
1958 4/	58.0	38.6	19.4	67	47.4	25.5	21.9	54
1957 5/								
Jan.	52.0	34.2	17.8	66	46.3	24.7	21.6	53
Feb.	52.5	33.7	18.8	64	48.8	26.7	22.1	55
Mar.	49.5	31.3	18.2	63	49.1	26.7	22.4	54
Apr.	48.9	31.3	17.6	64	48.3	25.8	22.5	53
May	47.2	29.7	17.5	63	48.1	26.4	21.7	55
June	46.0	29.8	16.2	65	49.4	28.4	21.0	58
July	51.9	33.0	18.9	64	50.8	29.3	21.5	58
Aug.	56.0	37.5	18.5	67	50.8	28.4	22.4	56
Sept.	61.0	41.5	19.5	68	47.9	24.8	23.1	52
Oct.	65.3	44.5	20.8	68	45.0	23.3	21.7	52
Nov.	64.3	46.8	17.5	73	44.6	23.2	21.4	52
Dec.	64.0	45.5	18.5	71	45.3	22.5	22.8	50
1958								
Jan.	59.3	40.1	19.2	68	47.0	27.3	19.7	58
Feb.	55.7	37.7	18.0	68	48.6	27.8	20.8	57
Mar.	61.9	42.0	19.9	68	50.9	29.5	21.4	58
Apr.	57.2	38.5	18.7	67	48.9	26.4	22.5	54
May	54.9	36.6	18.3	67	49.8	27.5	22.3	55
June	52.9	34.9	18.0	66	50.0	28.8	21.2	58
July	55.3	37.0	18.3	67	49.7	26.6	23.1	54
Aug.	57.2	38.0	19.2	66	47.3	24.7	22.6	52
Sept.	64.6	42.2	22.4	65	45.2	22.7	22.5	50
Oct.	60.0	39.3	20.7	66	43.7	21.6	22.1	49
Nov.	58.9	39.4	19.5	67	43.7	21.8	21.9	50
Dec. 4/	58.3	37.4	20.9	64	43.5	20.7	22.8	48

1/ Estimated average prices of all eggs or frying chickens sold to consumers in retail stores in urban communities, based on prices collected by the Bur. of Labor Statistics. 2/ Average payments received by producers for 1.03 dozen eggs. 3/ Payment to producers for 1.37 pounds of live weight chicken, the equivalent to 1 pound ready-to-cook weight. 4/ Preliminary. 5/ Data for both eggs and chickens are revised.

In this integration process, some handlers, especially in large urban areas, are bypassed and some costs are thereby reduced. (2) Larger and more specialized producing and marketing units have been developed which can better utilize recent improvements in plant and equipment technology. Examples of such developments are: (a) Installation of electro-mechanical equipment by some plants which permits large volume processing of eggs -- more than a million per day in certain plants, (b) use of large refrigerated vans to haul eggs from farms on established routes to assembly plants, (c) establishment of large commercial egg producing farms with laying flocks ranging up to 250,000 hens. Economies of scale enable such firms to operate at low costs per unit.

In some cities a factor contributing to relatively low price spreads is retail pricing practices. For example, in San Francisco eggs frequently are featured by retailers as special sales items to attract customers to their stores. As a result, actual monthly spreads taken by these retailers have been below "normal" markups.

The Agricultural Marketing Service is continuing a special study of monthly price spreads for large, medium, and small eggs, frying chickens, and large, medium, and small turkeys which began in July 1955. Farm and city receiver prices, prices to retailers, and retail sales prices were obtained for these commodities in 10 cities: Atlanta, Baltimore, Boston, Chicago, Cleveland, Los Angeles, New York, St. Louis, San Francisco, and Washington, D. C. 3/ Because collection of price data at all market levels for Washington, D. C., did not start until July 1958, major attention in this report will be given to the other 9 cities. Small eggs are not considered in this report because of insufficient data.

Gross farm-retail price spreads on Grade A large eggs in the nine cities averaged 24.0 cents a dozen in 1958 -- 0.9 cent more than in 1957 (table 6). 4/ This increase of almost 4 percent was caused mainly by increases in retail-store spreads. The average spread between prices received by farmers and prices to retailers declined 0.1 cent from 1957 to 1958.

3/ Retail prices used in this study are computed from data collected by The Bur. of Labor Statistics. The BLS collects food prices for its Consumer Price Index on the first 3 days of the week which includes the 15th of the month. These prices are also used in the Agr. Market. Serv. market-basket data. As a result of agreements with the AMS, the BLS also collects prices for the previous weekend for use in this special marketing study. Prices to retailers, city receiver prices, and farm values are computed from data reported by the Dairy and Poultry Market News Branch, AMS, and by private marketing firms for the Wednesday of the week including the 8th of each month. Farm prices are obtained for 16 major poultry and egg producing areas in the United States.

4/ A similar article on price spreads for poultry and eggs covering the years 1956 and 1957 for 6 cities was prepared in 1957. See: Gray, Leo R., and Pritchard, N. T., "Farm-Retail Spreads for Poultry and Eggs in the United States and Selected Cities," The Marketing and Transportation Situation, Jan. 1958, pp. 19-27. Some 1957 data given in this article have been revised.

The widest farm-retail price spreads on large eggs in 1958 were in New York and the smallest in Los Angeles (table 6). Farm-retail spreads in Atlanta increased 2.7 cents per dozen from 1957 to 1958, the largest increase among the nine cities. Retail-store spreads in Atlanta increased 3.1 cents but farm-to-retailer spreads declined 0.4 cent. Although retail-store spreads increased in New York, offsetting decreases of 1.3 cents per dozen in farm-to-retailer spreads were enough to cause a decline in total spreads of 0.3 cent a dozen in that city. New York was the only city showing a decline in farm-retail spreads from 1957 to 1958. For the 6 months ended in December 1958, farm-retail spreads in Washington, D. C., averaged 24 cents a dozen -- 0.1 cent below the average for the other nine cities in the same period.

The nine-city average of farm-retail price spreads for medium eggs in 1958 was 22.6 cents per dozen or 1.4 cents less than the average for large eggs (table 6). Intercity differences in prices and spreads for medium eggs were similar to those for large eggs.

Most of the eggs sold in Los Angeles and San Francisco move in cartons directly from country assembler-distributors to retail stores. These assembler-distributors collect eggs from producers and grade, pack, and deliver them to retail stores and other outlets. In the other seven cities, direct movement of cartoned eggs from country assemblers to retail stores, although increasing in volume is not as significant as in the two west coast cities. City distributors grade, carton, and deliver a large proportion of the eggs sold in retail stores in these other cities. Because of these differences in marketing practices, comparisons among cities of the spread between the price received by farmers and the price paid by retailers is more valid than comparisons of the components of this spread — the farm-receiver spread and the receiver-retailer spread (table 6). Combinations of marketing functions may sometimes offer reductions in the total of component spreads covering these functions.

On April 29, 1958, the Agricultural Marketing Service began reporting on an experimental basis, a shipping-point price for Iowa-Minnesota eggs. For the 6 months ended in November 1958, this price averaged approximately 2.4 cents below the city receiver price for midwestern Grade A large eggs in New York. Transportation charges comprised most of the spread between shipping-point and city-receiver prices at New York. The Iowa-Minnesota shipping-point price is compared with the New York City receiver price because the New York market quotation is widely used as a basing point price in the Midwest.

Frying Chickens

Farm-retail price spreads for ready-to-cook frying chickens in 1958 averaged 21.9 cents a pound, a decline of 0.1 cent from 1957 (table 5). Retail prices of frying chickens averaged 47.4 cents a pound and farm values 25.5 cents in 1958. These annual averages were the lowest in 9 years. They reflect, in part, pricing practices at the retail level designed to market increasingly large volumes of fryers and, in part, increases in production and marketing efficiency. The farmer's share of the retail dollar spent on frying chickens remained at 54 percent in 1958.

Table 6.- Eggs, Grade A large and medium: Prices per dozen and price spreads at various market levels, 9-city average 1957 and 1958, selected cities 1958

Item	1957 9-city average	1958 9-city average	Atlanta	Baltimore	Boston	Chicago
Large:	Cents	Cents	Cents	Cents	Cents	Cents
Prices:						
Retail	58.8	61.8	61.5	64.4	67.8	57.9
To retailers	50.5	52.5	51.2	56.6	56.8	52.1
To city receivers	40.7	43.1	42.0	44.2	47.2	39.7
Farm	35.7	37.8	35.4	36.1	46.5	32.3
Spreads:						
Farm-retail	23.1	24.0	26.1	28.3	21.3	25.6
Retail store	8.3	9.3	10.3	7.8	11.0	5.8
Receiver-retailer	9.8	9.4	9.2	12.4	9.6	12.4
Farm-receiver	5.0	5.3	6.6	8.1	.7	7.4
Medium:						
Prices:						
Retail	51.8	54.3	55.5	1/54.0	59.5	50.0
To retailers	44.2	46.1	45.5	49.4	49.7	45.9
To city receivers	35.2	37.1	35.5	1/38.0	40.5	1/34.8
Farm	30.0	31.7	29.3	29.6	40.0	25.9
Spreads:						
Farm-retail	21.8	22.6	26.2	24.4	19.5	24.1
Retail store	7.6	8.2	10.0	4.6	9.8	4.1
Receiver-retailer	9.0	9.0	10.0	11.4	9.2	11.1
Farm-receiver	5.2	5.4	6.2	8.4	.5	8.9

Item	Cleveland	Los Angeles	New York	St. Louis	San Francisco	Washington, D. C. 2/
Large:						
Prices:						
Retail	63.0	57.2	67.5	59.0	1/58.1	69.8
To retailers	54.0	46.5	55.3	49.3	50.2	58.9
To city receivers	40.5	41.8	44.3	41.3	47.0	49.4
Farm	35.6	39.2	38.6	37.7	38.4	45.8
Spreads:						
Farm-retail	27.4	18.0	28.9	21.3	19.7	24.0
Retail store	9.0	10.7	12.2	9.2	7.9	10.9
Receiver-retailer	13.5	4.7	11.0	8.5	3.2	9.5
Farm-receiver	4.9	2.6	5.7	3.6	8.6	3.6
Medium:						
Prices:						
Retail	1/55.0	1/51.5	57.2	53.8	1/51.9	57.7
To retailers	47.0	40.8	47.6	45.3	44.0	48.6
To city receivers	1/35.0	36.2	37.7	36.9	1/39.7	38.9
Farm	29.4	33.5	31.8	32.7	32.7	35.4
Spreads:						
Farm-retail	25.6	18.0	25.4	21.1	19.2	22.3
Retail store	8.0	10.7	9.6	8.5	7.9	9.1
Receiver-retailer	12.0	4.6	9.9	8.4	4.3	9.7
Farm-receiver	5.6	2.7	5.9	4.2	7.0	3.5

1/ Estimated annual average based on data for less than 12 months.

2/ Washington, D. C., is excluded from the 9-city average. Data for Washington cover the 6-month period July-Dec. 1958.

Since 1952, retail and farm prices for fryers have declined in every year except one. During the same period, farm-retail spreads remained relatively stable while those for most other farm food products increased. These conditions indicate that the poultry industry has increased efficiency in the production and marketing of fryers enough to offset costs of increases in services, in wages of labor, and in prices of other inputs. No other major food industry has made similar strides in marketing efficiency during recent years. Some of the principal factors which have contributed to lower costs and price spreads for marketing frying chickens have been: (1) Changes in technologies of production, processing, and distribution; (2) increases in sizes of producing and marketing units; and (3) the tendency among retail stores to use fryers as low-margin special sales items.

The average monthly variation in frying chicken prices and price spreads was slightly wider in 1958 than in 1957.

Farm-retail price spreads for frying chickens in the nine cities for which data are available averaged 0.5 cent a pound lower in 1958 than in 1957 (table 7). Retail spreads and farm-to-retail-store spreads, the components of the farm-retail spread, declined 0.1 cent and 0.4 cent a pound, respectively. Compared with a year earlier, retail prices in 1958 for frying chickens were down 1.2 cents, prices to retailers were down 1.1 cents, and farm values were down 0.7 cent a pound.

Farm-retail spreads for fryers in Los Angeles were 12.3 cents a pound higher than in Atlanta in 1958 and 14.1 cents higher in 1957. San Francisco had the largest decrease (4.4 cents a pound) in the farm-to-retail spread from 1957 to 1958 among the nine cities but it still had the second highest spread.

Retail-store spreads, which on the average accounted for 57 percent of the total farm-retail spread in the nine cities in 1958, were affected greatly by store pricing practices and varied considerably among cities. They were 6.8 cents a pound higher in Los Angeles than in Atlanta in 1958 and 9 cents higher in 1957. Retail-store spreads in San Francisco were second only to those in Los Angeles in 1958. A recent study revealed that in retail food stores in San Francisco poultry and meat departments, particularly in independent stores, frequently were operated as concessions. 5/ Average price spreads taken by concessionaires were high and were major factors affecting high retail prices and price spreads for the city. Markups taken by concessionaires on poultry generally are high because only a few products are handled and sales of these items have to cover total costs including labor and other overhead for operating the concession. Where poultry -- along with meats, produce, grocery, and other departments -- are operated by the same owner, diversification and total volume of sales may permit lessening of the risks involved, and margins on some items may be considerably lower.

5/ A concession is a portion of a store leased to an individual or firm for the purpose of selling a limited line of products, such as poultry and eggs, meats, or fruits and vegetables.

Table 7.- Frying chickens: Prices per pound (ready-to-cook basis) and price spreads at various market levels, 9-city average and selected cities, 1957 and 1958

Item	9-city average		Atlanta		Baltimore	
	1957	1958	1957	1958	1957	1958
	Cents	Cents	Cents	Cents	Cents	Cents
Prices:						
Retail	1/47.3	46.1	1/41.2	41.3	47.7	44.6
To retailers	35.4	34.3	31.7	31.3	2/37.4	35.0
Farm value 3/	26.2	25.5	25.2	24.6	26.8	26.1
Spreads:						
Farm-retail	21.1	20.6	16.0	16.7	20.9	18.5
Retail store	11.9	11.8	9.5	10.0	2/10.3	9.6
Farm-to-store	9.2	8.8	6.5	6.7	2/10.6	8.9

Item	Boston		Chicago		Cleveland	
Prices:						
Retail	47.7	47.7	1/42.4	42.4	44.7	43.8
To retailers	35.0	33.3	33.6	33.0	33.5	2/33.0
Farm value 3/	26.6	25.8	25.5	24.9	26.0	25.3
Spreads:						
Farm-retail	21.1	21.9	16.9	17.5	18.7	18.5
Retail store	12.7	14.4	8.8	9.4	11.2	2/10.8
Farm-to-store	8.4	7.5	8.1	8.1	7.5	2/ 7.7

Item	Los Angeles		New York		St. Louis	
Prices:						
Retail	1/55.8	54.0	1/44.0	2/44.8	43.0	42.2
To retailers	37.3	37.2	35.5	34.2	33.2	32.7
Farm value 3/	25.7	25.0	26.8	26.2	25.2	24.7
Spreads:						
Farm-retail	30.1	29.0	17.2	2/18.6	17.8	17.5
Retail store	18.5	16.8	8.5	2/10.6	9.8	9.5
Farm-to-store	11.6	12.2	8.7	8.0	8.0	8.0

Item	San Francisco		Washington, D. C., 4/	
Prices:				
Retail	1/58.6	53.8		42.4
To retailers	40.7	39.1		31.6
Farm value 3/	27.3	26.9		23.1
Spreads:				
Farm-retail	31.3	26.9		19.3
Retail store	17.9	14.7		10.8
Farm-to-store	13.4	12.2		8.5

1/ Revised. 2/ Estimate based on data for less than 12 months. 3/ Farm values are computed from prices reported in major commercial supply areas shipping frying chickens into the respective cities. 4/ Washington, D. C., is excluded from the 9-city average. Data for Washington cover the 6-month period July-Dec. 1958.

Farm-to-retail-store spreads for fryers in Los Angeles and San Francisco were higher than in the other seven cities because most of the birds sold in these two cities are shipped from processing plants located in Alabama, Arkansas, Georgia, Mississippi, and Texas. Average shipping distances and transportation costs from southern plants to these California cities are larger than those to the other cities studied.

Atlanta had the lowest prices at all market levels in 1958. Retail prices were highest in Los Angeles and San Francisco was at the top of the range for prices to retailers and farm values. Although farm values of frying chickens retailed in Los Angeles in 1958 were only 0.4 cent a pound higher than those sold through retailers in Atlanta, prices to retailers and retail prices in Los Angeles were respectively 5.9 and 12.7 cents per pound higher. Annual average prices at the three market levels either remained the same between 1957 and 1958 or decreased in all nine cities with the exceptions of retail prices in Atlanta and New York. Prices and price spreads at all market levels for frying chickens sold in Washington, D. C., were a little below the nine-city averages for the period July through December 1958.